The loan will have a 15 year term, exclusive of a grace period of 5 years, interest rate determined in accordance with ADB's LIBOR based lending facility, a commitment charge of 0.75% per annum and a front end fee of 1.0 percent.

Relaxation in CRR and SLR for FIs

1579. SHRI K.B. KRISHNA MURTHY: Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India is planning to relax statutory requirements like Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) on FIS converted into banks;

(b) whether the FIs are pressurising Government for a different treatment which is discriminatory to banking sector; and

(c) whether the time-honored practice of RBI inspection of banks is being extended to Financial Institutions and if so, since when?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHEPATIL): (a) to (c) The salient operational and regulatory issues to be addressed by Financial Institutions (FIs) for conversion into a Universal Bank was communicated by Reserve Bank of India (RBI) through a Circular dated 28.4.2001, according to which compliance with the cash reserve ratio and statutory liquidity ratio would be mandatory for a FI after its conversion to a universal Bank. RBI intends to process applications promptly in line of considerations outlined in the said RBI Circular. RBI inspection has been extended to FIs *viz.* Industrial Development Bank of India and National Housing Bank (since 31.3.95), Industrial Finance Corporation of India and Industrial Credit and Investment Corporation of India (since 30.9.95), Exim Bank (since 31.3.96), Industrial Investment Bank of India, National Bank for Agriculture and Rural Development and Tourism Finance Corporation of India (Since 30.9.96) Infrastructure Development Finance Corporation of India (Since 31.3.2000).

Policy of RBI on reduction of Bank interest rate

1580. SHRI W. ANGOU SINGH: Will the Minister of FINANCE be pleased to state:

(a) the effects of RBI's policy regarding the reduction of Bank's interest rate;

(b) whether it will affect other National Financial Markets of the country; and

(c) what are its effects on the financial institutes?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHEPATIL): (a) The Bank Rate is the principal signaling instrument of Reserve Bank of India (RBI) for providing directional guidance to the extent feasible, to general level of interest rates. The actual decisions on deposit rates and lending rates are taken by the individual financial institutions depending on their respective strategies and conditions in financial market, duly recognizing the stance of monetary policy indicated by several measures, one of which being the changes in the Bank Rate.

(b) and (c) On the eve of cut in the Bank rate (*i.e.* October 22, 2001) the yields on 5 to 10 years Government securities have moved down from 7.43 per cent and 8.98 per cent to 7.11 per cent and 8.3 per cent respectively by November 26, 2001. With regard to financial institutions, there has been a general downward movement in interest rates over the period. The Long Term Prime Lending Rate (LTPLR) of Industrial Development Bank of India (IDBI) declined from 14.0 per cent in January 2001 to 13.5 per cent in July 2001 and that of ICICI from 13.0 per cent to 12.5 per cent. The medium term PLR and short term PLR of these institutions have also recorded concomitant declines. Minimum Term Lending Rate of IDBI as on November 9,2001 was 12.5 per cent per annum.

Regulation of NBFCs

1581. SHRI P. PRABHAKAR REDDY: Will the Minister of FINANCE be pleased to state:

(a) whether the Non-Banking Financial Companies (including residuary Non-Banking Companies) are subject to any regulatory framework other than the general and distant supervision of the Reserve Bank of India;

(b) if so, the details thereof and if not, the reasons therefor;

(c) whether these companies are subjected to periodical inspection/ audit; and

(d) if so, the latest audit conducted in respect of Peerless General Finance and Investment Company Ltd. and the results thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHEPATIL): (a) and (b) The Reserve Bank of India has put in place a comprehensive regulatory and supervisory framework for Non-